0**14302*7687** 1** 38

Advertising Age

September 17, 1990

C2710-1

Copyright 1990 by Crain Communications Inc.

#4B**********5-DIGIT 20814
#020190949 6#01AA03852 99VOZ
CONGRESSIONAL INFO SERVICE
SRI ACQUISITIONS
4520 EAST-WEST HWY #800
BETHESDA MD 20814

Crain's Int

Section 1 • $2.00 • $2.50 in Canada • £3.50 in U.K.

Timon out as Colgate ad chief

Ad department revamped; centralized functions scrapped

By Laurie Freeman

Clay Timon, VP-director of worldwide advertising for Colgate-Palmolive Co., abruptly left the company last week because of "deep philosophical differences in Colgate's ad strategy."

Mr. Timon, 46, is credited with developing Colgate's global advertising strategy and establishing the company's partnership with two worldwide agencies, FCB/Leber Katz Partners and Young & Rubicam.

Ariel Allen, the company's VP-creative services, also was reassigned to an undisclosed position as Colgate said it was restructuring its advertising department.

Mr. Timon's exit, company insiders say, was due to differences between him and William S. Shanahan, Colgate's senior exec VP-chief operating officer. Both the company and Mr. Timon said the departure was mutually agreed upon.

At this time, supervision of Colgate's $450 million in worldwide advertising business is in the hands of the company's top management, regional management and product managers, a company spokesman said.

Sources close to the company say they fear Colgate's relationship with its agencies will deteriorate without a central person to handle routine, daily tasks.

"It could be that within a year, Colgate may return to its old ways of having agencies pitch against each other and agencies being brought in on special projects," said a company executive who requested anonymity. "No one knows what direction the company should go in."

"There will be no change in our global

(Continued on Page 8)

HOT STUFF!

Anheuser-Busch tonight breaks its first image campaign for Bud Dry, using the "Why ask why?" theme. Wry spots use sometimes frustrating situations or unanswered questions ending, "Why ask why? Try Bud Dry." DDB Needham Worldwide, Chicago, handles *(see story on Page 76).*

Calvin Klein Inc. last week launched a new multimillion-dollar TV campaign for its designer jeans. Five different spots, created and directed by Richard Avedon, show men and women discussing relationships as well as their "Calvins." It's the first TV advertising for the jeans since 1984. Chiat/Day/Mojo, New York, handles media buying.

Ernest Hemingway's son, Jack, and granddaughter, Joan, will be featured in Oldsmobile's first campaign for the Bravada. The commercial, breaking late this month, shows Ms. Hemingway driving the car to a rendezvous with "the old man and the sea." Leo Burnett USA, Chicago, handles for the unit of General Motors Corp.

Eurocom threatens HDM partnership

By Jon Lafayette and Laurel Wentz

French communications giant Eurocom could pull out of HDM if its demands for a larger stake of the $2.6 billion joint venture agency network aren't met.

Friction between Young & Rubicam and Eurocom has been reported almost since the joint venture—with third partner Dentsu—was assembled in 1987, and late last week a French daily newspaper reported Eurocom was negotiating to buy back its European holdings in HDM.

Le Figaro said Eurocom offered its two partners a total of about $50 million for its interest in HDM offices across Europe, but Dentsu and Y&R wanted close to $120 million. In response to the story, Eurocom denied that "any agreement to dismantle the HDM network has been finally adopted at this time."

Officially, the HDM partners expressed hope that the network's operations would continue.

"I don't think we want to get out" of HDM, a Eurocom spokeswoman in Paris said. "We have an agreement to agree that things must be done differently. Voila."

The Eurocom statement explained the discussions as redefining "the international equilibrium of this network."

"What we're not discussing is shutting down the agencies," said R. John Cooper, exec VP-general counsel of Young & Rubicam in New York. "All that we're discussing is the ownership issue and potential realignment of that ownership."

Y&R is developing contingency plans for operating HDM in the event of a Eurocom pullout, a Y&R source said.

Eurocom already owns a 51% interest in

(Continued on Page 76)

LAST MINUTE NEWS

Sears shuffles execs

CHICAGO—Sears, Roebuck & Co. Chairman Ed Brennan realigned management of the corporate and merchandise groups. Matthew A. Howard was named senior VP-marketing from senior exec VP, succeeding Thomas E. Morris, 43, who resigned as VP-marketing. Eric D. Saunders, 48, was named VP-home fashions group from senior exec VP, succeeding VP-Home Fashions Group Jerry A. Hand, 50, who resigned. Under the restructuring, officers in charge of the six merchandise categories report to President-Retail Laurence E. Cudmore, 54; previously, they reported to Messrs. Howard and Saunders. Mr. Brennan said the restructuring is "part of an ongoing companywide effort to reduce expenses."

Saatchi nixes buybacks

NEW YORK—Saatchi & Saatchi Co. Chief Executive Robert Louis-Dreyfus last week rejected buyback bids from two subsidiaries, Yankelovich Clancy Shulman, Westport, Conn., and Siegel & Gale here. Yankelovich Chairman Kevin Clancy said that after a meeting last week, "It's clear to us we would not be able to make an offer so good [Mr. Louis-Dreyfus] would let us go." Mr. Clancy said the research company's management has been seeking a buyout for more than a year. Separately, Alan Siegel, chairman of design company Siegel & Gale, said Mr. Louis-Dreyfus initiated the buyout talks but rejected an offer for less money than Saatchi paid for the agency. Mr. Siegel said he

(Continued on Page 8)

INSIDE

Countdown to Christmas

Starts after Page 48

Greg King

MCI reviews $50M account at WRG Page 2 • **Sales promotion pioneers stepping down** Page 60

NEWS SUMMARY

■ **Clay Timon** resigned as VP-director of worldwide advertising for Colgate-Palmolive, reportedly because of differences with top management over ad strategy. 1

■ **Eurocom** is demanding a larger stake in HDM, the joint venture it shares with Young & Rubicam and Dentsu, and could pull out if its demands aren't met. 1

■ **The Big 3 TV networks** are cutting prices for some of their fourth-quarter inventory as some advertisers appear hesitant to place orders. 3

■ **USA Today's** hopes for its first profitable year are fading because of an industrywide ad sales slump. 3

■ **Bugs Bunny** was rated the most popular licensed cartoon character in a national survey of adults. 3

■ **Eveready Battery Co.** has launched a new series of Energizer Bunny parody commercials, but continues to lose market share to Duracell. 4

■ **Visa USA's** fall marketing program includes sponsorship of a 40-week national tour of the musical, "A Chorus Line." 4

■ **Foote, Cone & Belding** is seeking an agency partner in Japan, so far without success. 6

■ **Procter & Gamble's** food division has returned to profitability, and now the company is moving quickly to strengthen key food brands with line extensions. 16

■ **TVSM's board** has approved plans to nationally expand its *TV Time* listing guide to compete with *TV Guide*. 18

■ **Cosmair** provides a new elegant setting in ads for Ralph Lauren's Safari fragrance, which will be joined later by a line of bath and body items. 19

■ **Luxury car sales** are up 8% for the first eight months of 1990 compared with the same period last year. 20

■ **Hyundai** will heavily promote its Scoupe subcompact and Sonata midsize sedan in the fourth quarter. 20

■ **Zenith Electronics** has begun a TV campaign touting its brands over imports. 21

■ **Ben Johnson,** the Canadian sprinter, will resume competition after his two-year ban for testing positive to steroids ends this month, and his new manager is seeking commercial endorsements for him. 56

■ **Montgomery Ward & Co.** indicated it will move quickly to select an agency in its $15 million account review. 75

■ **Anheuser-Busch** today begins its first image campaign for Bud Dry, a beer the company introduced nationally last April and says is selling well. 76

■ **Chrysler Corp.** previewed 1991 model advertising for its dealers last week; much of it continues to make comparisons with competing makes. 76

■ **Dow Jones & Co.** named four executives to key marketing and ad sales posts, and plans further expansion in the U.S. and overseas. 78

DEPARTMENTS

Ad Review	78	International News	56
James Brady	44	Letters	42
Brady's Bunch	64	MediaWorks	62
Classifieds	68	NewsWatch	12
Con-Sid-erations	34	People Moving	63
Corrections & Clarifications	42	PeopleWorks	63
Editorials	34	Photo Review	66
For the Record	73	Retail Marketing News	58
Forum	36	Sales Promotion News	60
Global Gallery	52	The Next Trend	44
Index to Advertisers	78	Joe Winski	44

Contents copyright 1990 by Crain Communications Inc. All rights reserved.

Vol. 61, No. 38—ADVERTISING AGE (ISSN 0001-8899) is published weekly by Crain Communications Inc. at 740 Rush Street, Chicago, Ill. 60611-2590. Second-class postage paid at Chicago and additional mailing offices. Send address changes to ADVERTISING AGE, Circulation Department, 965 E. Jefferson, Detroit, Mich. 48207. $2.00 a copy, $76 a year, $127 two years. Add $126 per year for air delivery to Europe & Middle East. Add $54 for surface mail to all other foreign countries. WILLIAM STRONG, VP-circulation; DAVE KELLEY, circulation manager. Four weeks' notice required for change of address. Address all subscription correspondence to Circulation Department, Advertising Age, 965 E. Jefferson, Detroit, Mich. 48207; 1-800-992-9970. Microfilm copies are available from University Microfilms, 300 N. Zeeb Rd., Ann Arbor, Mich. 48103. Microfiche copies are available from Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691. AD AGE is available for electronic retrieval on the NEXIS® Service, Mead Data Central, Inc., P.O. Box 933, Dayton, Ohio 45402 (800 227-4908).

MCI connects review

$51M account may be split; WRG pitches

By Jon Lafayette

NEW YORK—Wells, Rich, Greene might be able to hang onto at least some of MCI Communications Corp.'s $51 million ad account, which could be broken into two parts after a review.

MCI decided to place the account up for review "just to look and see whether there are additional minds and tools available to use in the marketplace," Senior VP Judy Ranzer said last week.

She said the company has been focusing on increasing both residential and business customers, and suggested MCI might consider assigning a different agency to each segment, as it did in the mid-1980s.

"The two parts of our business are important to us, and we will be looking closely at both parts," Ms. Ranzer said. "It used to be you either dealt primarily in the consumer segment or the business segment. Now we compete in all segments at the same time."

She also praised WRG, which has handled the account since 1987, and didn't rule out the possibility the agency could hang onto a piece of the business when the review winds up in early November.

WRG will participate in the review along with Hill, Holliday, Connors, Cosmopulos, Boston; and Grey Advertising and Levine, Huntley, Schmidt & Beaver, both New York, sources said. Grey owns a majority stake in Levine Huntley.

WRG executives contended recent changes at MCI played a role in deciding to review the account.

"There's new management at the company," said a WRG executive. "They didn't pick us, and they want to see what's out there."

Earlier this year, MCI Senior VP-Corporate Affairs Howard Crane, who handled advertising, became president of the Pacific division. Responsibility for advertising was shifted to Daniel Akerson, exec VP-chief financial officer, and Kevin Sharer, exec VP-sales and marketing, who joined MCI from General Electric Co.

"Those guys have never worked with an agency before," an agency source said. "But they know that AT&T has a slew of agencies and will want to know why they've been working with only one."

While there's been some turnover on the client side, WRG has had nearly constant turnover on its side of the account, agency sources said.

"AT&T has a slew of agencies, and [MCI's new management] will want to know why they've been working with only one."

Both MCI and AT&T have been gaining share at the expense of US Sprint and have taken to sniping at one another in their advertising, some of which has led to legal action.

On Oct. 10, 1989, MCI filed suit in U.S. District Court in Washington, charging AT&T with "falsely and deceptively" representing MCI's services in ads. It was prompted by a letter AT&T sent Oct. 3, to CBS in which AT&T called MCI ads "false and misleading."

Attached to MCI's suit were several examples of AT&T print and TV ads created by N W Ayer, New York, that MCI found objectionable. One print ad claimed "other long-distance companies take up to 30% longer than AT&T to set up the average call." TV spots showed people were dissatisfied at not getting the savings they thought they would get from AT&T competitors.

The ads claimed "Every week, over 100,000 customers switch to MCI." AT&T responded with a counterclaim Oct. 26, charging MCI "has falsely and deceptively advertised and promoted its services."

MCI has a 12% share of the $55 billion long-distance market, compared with 70% for AT&T and 8% for Sprint.

The review comes at a difficult time for WRG.

The agency has been struggling to save Philip Morris Cos.' $80 million Benson & Hedges account and only recently got its first campaign for Continental Airlines approved, seven months after being hired for the $40 million to $50 million account.

In addition, WRG is now in the final throes of a review for a project from Chase Manhattan Corp. and is still getting used to the departure of founder Mary Wells Lawrence.

In March, Mrs. Lawrence turned over her chairman-ceo title to Kenneth Olshan and sold a large minority stake in the company to Paris-based BDDP Holdings.

But the agency appears to be finally putting out a fire at Philip Morris, which had been unhappy at WRG's inability to put together a campaign for Benson & Hedges.

WRG had kept Benson & Hedges in January after a review, but a campaign originally scheduled to break this fall has been pushed back until next year.

In the meantime, Philip Morris is introducing a denicotinized version of the brand, which will be backed by advertising from Leo Burnett USA, Chicago (AA Sept. 10). Sources say Burnett has also executed a campaign for the main Benson & Hedges brand.

A Philip Morris executive denied that, however. □

Pier 1 hunts new agency

By Christy Fisher and Jennifer Lawrence

Pier 1 Imports last week dismissed the Richards Group, Dallas, and put part of its estimated $26 million account in review.

The decorative home furnishings chain is inviting agencies to pitch the broadcast portion of its account, which may or may not include media buying. Print work, and possibly media buying, will move in-house.

Pier 1 wants to expand its media mix and "create more awareness," said John Himelfarb, VP-director of marketing.

In the past, the chain has relied on ads in newspapers and Sunday supplements with some national magazine advertising. It also tested TV spots in the summer of 1989, its first such effort in more than 10 years.

The Richards Group, Pier 1's agency since 1985, hasn't been invited to pitch but will continue to do work through the end of the year.

The agency created the specialty retailer's "A place to discover" campaign, which helped position Pier 1 as a serious retailer of contemporary home furnishings, rather than the funky knickknack store of the '60s and '70s.

"The Richards Group has served us well for five years. They helped us with our image, a campaign that has been one of the best for many, many years," Mr. Himelfarb said. "There is no animosity [between Pier 1 and the agency]. We just wanted to look at new things—new ideas and new creative."

"In today's [retail] environment, if things aren't broke they will be. We need to take a fresh approach. . . ."

"In today's [retail] environment, if things aren't broke they will be," he said. "We need to take a fresh approach to the ways we have been doing things in the past."

The company is moving the print portion of the account and possibly media buying in-house for more control, flexibility and cost savings, he said.

The change comes as Pier 1, which has 531 stores in 43 states and Canada, continues to expand aggressively. It plans to have 1,000 stores by the year 2000.

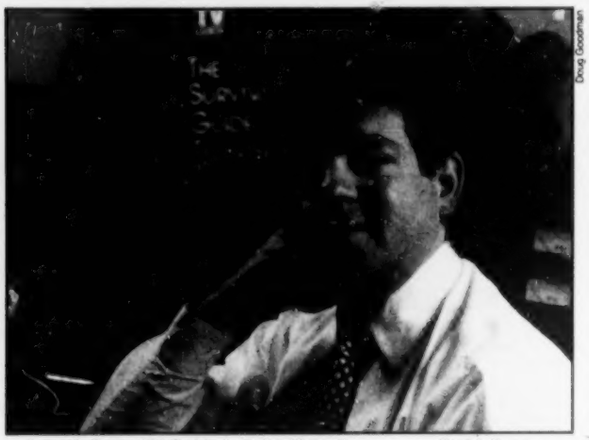
Pier 1 recently reported its eighth consecutive year of record sales. Sales jumped 25% to $516.9 million for the fiscal year ended March 3. Earnings rose 17% to $25.3 million.

However, Pier 1, like most retailers, has begun to feel the effect of the Mideast crisis. Sales for the second quarter, ended Sept. 1, were below expectations, the company reported, with August sales down 7% to 8% from the same period a year ago.

Stan Richards, principal at the Richards Group, stressed the parting was amicable and Pier 1 had no reservations about the agency's work. He cited economics as the reason for the move.

Mr. Himelfarb denied the moves were to cut costs.

Mr. Richards doesn't anticipate any layoffs from the account loss. He said he hoped to reassign agency staffers to other acounts at the shop, which is estimated to have billed $130 million last year. □


Doug Goodman

Joseph Cece: *TV Guide* is "significantly more profitable" now.

Cece hits stride at 'TV Guide'

Rupert Murdoch's News Corp. stunned the publishing world in August 1988 with the news that it would acquire Walter Annenberg's Triangle Publications, including crown jewel TV Guide, *for a record $3 billion.*

In the two years since, TV Guide *has been battling increased competition, ad page declines and a falloff in circulation. The weekly is now going on the offensive—expanding the number of cable system-specific editions, creating "themed" packages for advertisers and, perhaps the most challenging move of all, planning to test a larger-size edition.*

ONE ON ONE

TV Guide *President-Publisher Joseph Wm. Cece talked about the magazine's past, present and future in his Radnor, Pa., office with* Advertising Age *Editor Fred Danzig and Reporter Scott Donaton.*

Advertising Age: *What's your assessment of where the magazine is today, and can you tell us where it's going?*

Mr. Cece: The one thing that's crucial, we feel, is that the circulation of the magazine is stabilized.

The single-copy sales environ-

(Continued on Page 71)

Seeing red again

Hopes fade for profitable 1990 at 'USA Today'

By Janet Meyers

USA Today's high hopes of having its first profitable year in 1990 appear to have been dashed by the industrywide ad sales slump.

Through Sept. 7, the national daily's ad pages were off 8.5%, to 2,312, vs. the same period a year ago. Ad revenue was up 2% for the period, while circulation has increased 4.5% to 1.82 million. How *USA Today* fares in the crucial fourth quarter will determine whether it can break even for the year.

"We're still hoping for profitability," said Tom Curley, *USA Today* president. "This is about as difficult a time to predict what will happen as any I've ever seen, between world events and the economy."

Red ink has been on the decline for *USA Today*, which lost $4.5 million in 1989, down 82% from $25 million in 1988. At the start of 1990, analysts anticipated the paper could post a profit of close to $2 million this year. That was before the bottom fell out of the newspaper ad market.

C. Black

Mr. Curley said *USA Today's* ad sales were "reasonably firm through April," but pages and revenue fell from May through early August. Ad pages bounced back in August, said Publisher Cathie Black, when the daily carried seven more ad pages than in August 1989.

Though usually an optimist, Ms. Black isn't counting on a turnaround for the rest of the year. Having a strong fourth quarter "is somewhat unlikely," she said.

Mr. Curley, more positive in his outlook, still believes the fourth quarter could put *USA Today* in the

(Continued on Page 74)

TV scatter prices down

But 4th-quarter weakness may not signal trend

By Wayne Walley

The Big 3 TV networks are slashing prices for selected prime-time inventory to try to get the market for fourth-quarter scatter sales moving.

Some ad units in prime time and sports were selling last week for as much as 30% below prices paid in upfront sales in what could be a one-time-only set of circumstances, media buyers say.

"Unless the economy goes to hell in a hand basket, this will just be a fourth-quarter phenomenon," a high-ranking network executive said. "Buyers might be licking their lips, but all the networks are well-sold in the first quarter. What has happened is some advertisers have delayed spending, or they are hesitant to get in during the fourth quarter."

While some buyers are snapping up what they believe to be opportunistic buys, others are waiting, not sure the market has reached bottom.

"This is a waiting game," said Bart McHugh, senior VP-director of national radio/TV programming for DDB Needham Worldwide, New York. "There does not seem to be the tightness we've experienced the last three or four quarters, and we are watching the market day to day."

A number of factors led to the soft market. But many industry experts specifically cited the ratings guarantee issue that surfaced during the upfront selling season.

The Big 3 adopted a uniform viewer-counting plan, devised by NBC, that would reduce their liability for make-goods to advertisers.

"The big players, like General Foods, Procter & Gamble, Bristol-Myers and others, looked at other opportunities in syndication and cable with ratings guarantees, or

(Continued on Page 73)

Adults favor classic 'toons in their ads

By Kate Fitzgerald

When it comes to using licensed characters in ads appealing to adults, the hare beats the turtle.

A survey conducted for *Advertising Age* by the Gallup Organization showed adults favor classic animated characters.

GALLUP SURVEY

Bugs Bunny topped the list of most popular characters, and he came in first again when top-of-mind recall was measured. The Teenage Mutant Ninja Turtles were the least favorite cartoon or animated characters.

Marketing spending in support of both Bugs and the Turtles has been heavy this year.

Warner Bros. and its LCA Entertainment licensing arm developed tie-ins with dozens of companies that spent an estimated $100 million on programs supporting Bugs' 50th birthday this year.

When the 1,000 adults were asked to name the first ads that came to mind among those featuring cartoon/licensed characters, the winner was Holiday Inns. The lodging chain ran a summerlong promotion tied to Bugs' birthday with network TV support.

In popularity, Bugs finished ahead of Walt Disney Co.'s Mickey Mouse, who celebrated his 60th birthday in 1988 with a marketing blitz. Warner's Road Runner was third, followed by Disney's Donald Duck and United Feature Syndicate's Garfield the Cat. Fox Broadcasting

(Continued on Page 73)

Who do they love

It's Bugs Bunny's year. Celebrating his 50th birthday, Bugs emerges the clear winner in the popularity poll. Last month, 1,000 adults were asked: "Which one is your favorite cartoon or animated character?"

Rank	Character	Share of votes
1	Bugs Bunny	20.5%
2	Mickey Mouse	10.3%
3	Road Runner	5.9%
4	Donald Duck	3.8%
5	Garfield the Cat	3.6%
6	Bart Simpson	1.7%
6	The Flintstones	1.7%
8	Popeye	1.6%
9	Daffy Duck	1.4%
9	Winnie the Pooh	1.4%

Source: Gallup Organization

Who do they hate

Survey respondents were asked to name their least favorite cartoon or animated characters. Answers tended to differ significantly depending on respondents' sex.

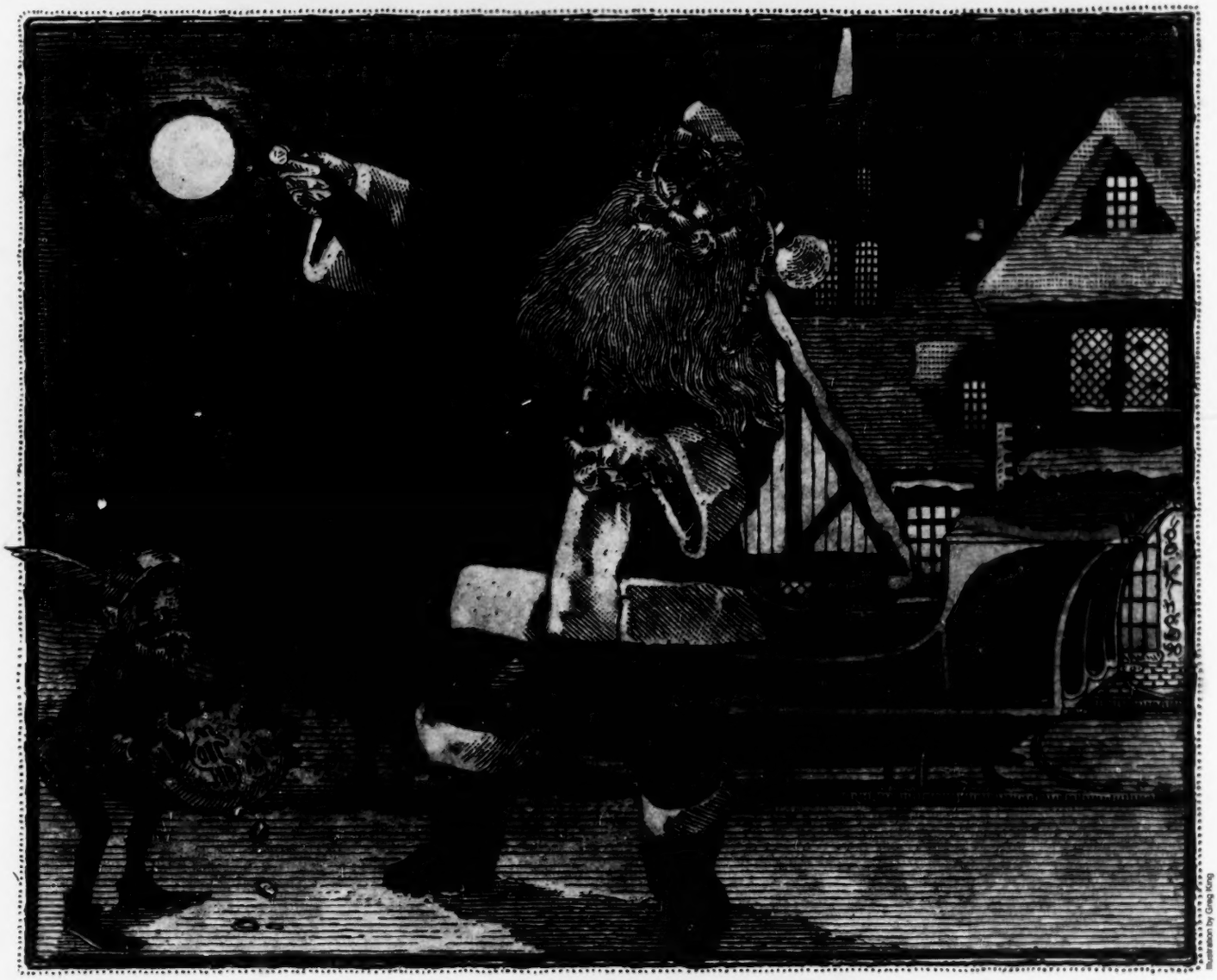
Men	Women
Teenage Mutant Ninja Turtles	Teenage Mutant Ninja Turtles
Smurfs	Road Runner
Bart Simpson	Bart Simpson
He-Man	The Simpsons
Popeye	Smurfs
Road Runner	He-Man
Garfield	Beetlejuice
The Flintstones	Popeye
Woody Woodpecker	Garfield
The Simpsons	Donald Duck

Who do they remember

Of all advertising containing cartoon/animated characters that you have seen in the last 30 days, which advertising for a particular product or service first comes to mind?

Rank	Advertiser/agency	Character
1	Holiday Inns/Young & Rubicam	Bugs Bunny
2	Walt Disney World/In-house	Mickey Mouse, etc.
3	Metropolitan Life/Young & Rubicam	Snoopy
4	Nestle's Butterfinger/Lintas:New York	Bart Simpson
4	McDonald's/Leo Burnett USA	Dick Tracy
6	Burger King/Saatchi & Saatchi	Ninja Turtles
6	Embassy Suites/Tracy-Locke	Garfield
8	California Raisins/Foote, Cone & Belding	California Raisins
8	Disneyland/In-house	Mickey Mouse, etc.
8	Ralston's Teenage Mutant Ninja Turtles cereal/Noble & Associates	Ninja Turtles

Countdown to Christmas



Grinch is back; Santa tightens belt

By Adrienne Ward

Even as it confronts a boycott led by Operation PUSH, Nike continues telling consumers to "Just do it." The problem is, most people aren't listening—not to Nike, not to anyone.

Instead of just doing it, consumers have adopted an attitude for the fourth quarter that's more along the lines of "Don't do it."

Don't eat out as much.

Don't take that big vacation.

Don't buy as many Christmas gifts.

Fears of fighting in the Middle East and uncertainty about the economy are making consumers and marketers alike extremely cautious about Christmas.

In an *Advertising Age*/Gallup Organization poll of 1,000 adults, 70% of respondents say it's likely the U.S. will enter a recession within the next six months. *(See chart on Page S-8.)*

If that happens, most respondents say they will cut back on travel, dining out, going to the movies, buying major appliances and—what could be worse?—gift giving.

"Consumers are very uncertain," says David Stewart, a professor of marketing at the University of Southern California in Los Angeles. "At this point people are taking a wait-and-see attitude."

He predicts consumers will trade down in many categories throughout the fourth quarter. "But if we're celebrating a military victory," he says, "things could go the other way."

"The consumer mindset right now is 'Don't do it.' Everybody's cautious," says John Byington, president of the NPD Group's Syndicated Services division. He predicts categories that rely heavily on fourth-quarter sales—toys, apparel, consumer electronics and sporting goods—will remain flat or decrease slightly.

"The country's at risk. There's a guilt thing about frivolous spending," adds Allan Mottus, a cosmetics industry consultant.

"Plus, people feel poorer. Their real estate values have gone down the drain, stock portfolios are suffering. . . . Luxury items across the board are going to be hurt," he says.

Others say that rather than cutting back too

(Continued on Page S-8)

INSIDE THIS REPORT

Consumer surveys, market analyses, budget shifts and fearless fourth-quarter forecasts.

Retail	Page S-2
Liquor and cigarettes	Page S-3
Cosmetics and toys	Page S-4
Automotive and consumer electronics	Page S-5
Food and restaurants	Page S-6
Package goods	Page S-7
Travel and airlines	Page S-8

Retail

Sales gains of 4% 'likely' as many go easy on gift buying

By Alison Fahey

"It's probably the most unpredictable I've ever seen it," says one economist, referring to the retail industry's fourth-quarter sales outlook.

That sentiment from Bob Salerno, a partner at Coopers & Lybrand, is being echoed throughout the retail industry.

Kurt Barnard, publisher of *Retail Marketing Report*, says the fourth quarter is likely to be considerably affected by the turmoil in the Middle East, "which comes on the heels of a great deal of consumer conservatism and frugality."

According to the *Ad Age*/Gallup poll, 61% of survey respondents say they will pull in the reins on gift giving if the U.S. falls into a recession.

Holiday sales will be up 4% to 6% vs. the same period last year, Mr. Salerno says, although "4% is more likely." In 1989, fourth-quarter retail sales were up about 5% over those of 1988.

Rosalind Wells, chief economist for National Retail Federation, is projecting fourth-quarter retail sales gains of 5%. She previously had predicted gains of 5.5%.

"Originally, I figured we'd have a better Christmas this year than last because in 1989 we had the industry turmoil with the bankruptcies like Campeau," she says. "As this year shaped up, the economy wasn't great, but it was holding up.

"Now I think we're headed into, if we're not already in, a recession. Unemployment is up, inflation is up and real income will be down. . . . We don't have the makings for a very good Christmas," she says.

Carl Steidtmann, VP-chief economist, Management Horizons, is more optimistic, forecasting a "fair" holiday selling season for retailers, with sales gains of about 6% over last year.

Industry observers point to soft goods such as apparel as a potential savior for retailers this Christmas. But poor sales of durables, such as home appliances, should offset some apparel gains.

The *Ad Age*/Gallup poll indicates 65% of consumers surveyed say they will reduce spending on appliances in a recession.

While the jury is out on retail sales performance, many observers agree retailers' profits could be up from last Christmas if they avoid the price slashing that cut into their companies' bottom lines last year.

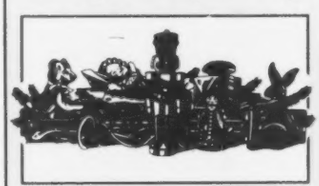
"Retailers have held off on buying and have [reduced] their inventories," Mr. Salerno says. "Their profits will be up even if their sales aren't that much."

However, with consumer confidence on the wane, retailers could be forced once again to offer store-wide bargains.

The problem now, Mr. Barnard says, is that "we have a situation which compels consumers to pay more money at the gas pump and, come October and November, on heating, etc., and that means less money left for discretionary spending for Christmas."

The *Ad Age*/Gallup survey revealed some good news for department stores: 41% of respondents say they will do most of their holiday shopping there. Only 8% say they will favor specialty stores; 22% will shop at discounters; 13% will frequent mass-market merchants; 8% will use catalog retailers; 6% don't know; and 2% did not answer. □

Ad Age/Gallup survey



Retail

At which source do you expect to do most of your holiday shopping?

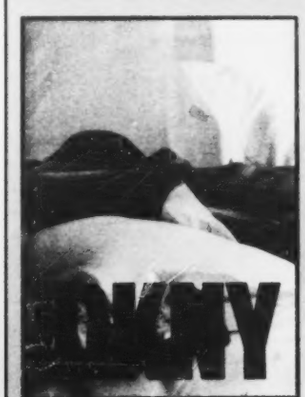
Department stores	41%
Discounters	22%
Mass merchants	13%
Specialty stores	8%
Catalogs	8%
Don't know	6%
Refused to answer	2%

Source: The Gallup Organization

What the experts think

- The U.S. is "migrating to more difficult economic times."
  John Blair, VP-marketing services and new ventures, Quaker Oats Co.
- "We've been in a recession for a year in housing and new cars."
  Lee Iacocca, chairman, Chrysler Corp.
- "There's been a general slowing of sales in the [fast-food] industry and that's going to intensify, and so is competition."
  Larry Krueger, exec VP-marketing, Arby's Franchise Association
- "It's not like we like tough times, but our industry is recession-proof. Consumers put off purchasing a car but they don't put off washing their hair."
  Howard Bernick, president-chief operating officer, Alberto-Culver Co.
- "We don't have the makings for a very good Christmas."
  Rosalind Wells, chief economist, National Retail Federation
- "It's going to be a tough holiday season no matter how you cut it. Consumers are going to be careful, but unless they're on the bread line, Americans buy Christmas presents."
  Annette Green, executive director, Fragrance Foundation
- "The country's at risk. People feel poorer. There's a guilt thing about frivolous spending."
  Allan Mottus, cosmetics consultant
- "It looks like death."
  Edward Starkman, PaineWebber travel industry analyst
- "In a recession, cigarette marketing is a good place to be."
  Manny Goldman, PaineWebber tobacco industry analyst
- "It's going to be one of the worst years for toy sales."
  Allen Bohbot, president, Bohbot Communications

WHAT'S IN



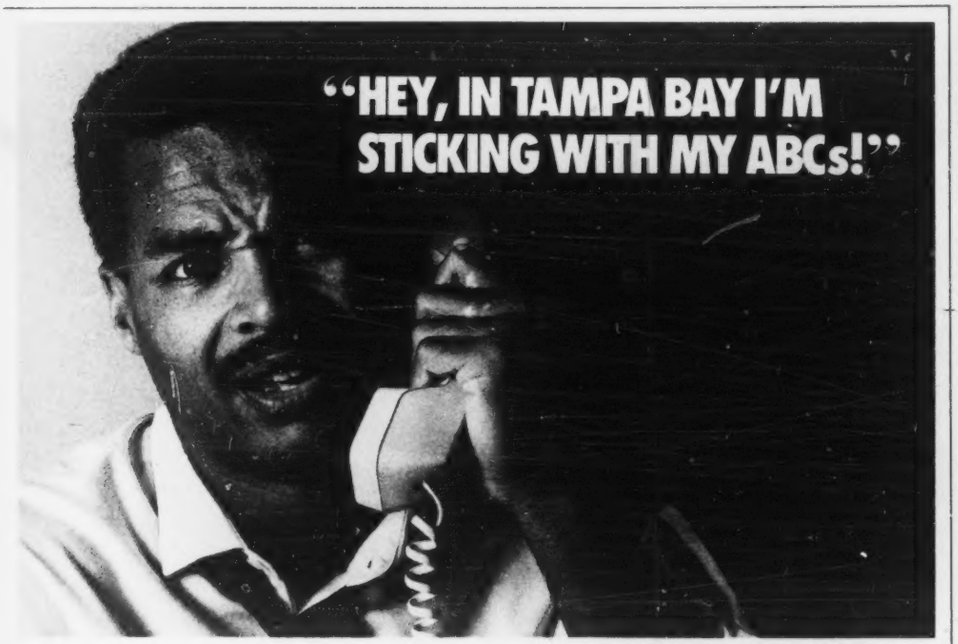
Consumers pay a price when slipping into DKNY jeans.

- **Wearing it on their sleeves:** Not only do consumers want their MTV, they want to wear it, too. So do fans of Paramount, Harley-Davidson, Hanna-Barbera and Disney's Minnie Mouse as branded fashion takes off.
- **The Limited:** Looks like more *Un*-limited growth for Leslie Wexner's chain of specialty stores.
- **Inching toward the top:** Wal-Mart Stores is poised to take over the No. 1 spot in retail.
- **Smarter than ever:** Revamped, restocked and redesigned, J.C. Penney Co. has reinvented itself for the better.
- **Cheaper by design:** The champions of *haute couture* are coming down a few notches with secondary lines. DKNY, Emporio Armani and Mr. Beene from Geoffrey Beene are allegedly affordable. But when a wool jacket and skirt can cost $1,000, retailers are wondering how affordable this clothing really is.
- **Patriotic dressing:** Fashion collections from Americans like Calvin Klein, Ralph Lauren, Donna Karan and other made-in-the-USA designers are as popular as ever.
- **Thrown away in the USA:** When Wal-Mart started its "green" marketing push, competitors followed fast.
- **These boots were made for walking:** Low-heeled, thigh-high boots are making strides.
- **Faux furs:** Fake, colorful furs are filling fashion ads and women's closets.
- **A spirited return:** Let's see what kind of life Susie Tompkins breathes into Esprit.
- **Accountability at the top:** Sears gives Edward Brennan the go-ahead to fix what his merchandise head Michael Bozic couldn't. Can he do it?

WHAT'S OUT

- **On the other hand:** Former wunderkind Michael Bozic begins climbing down the giant's beanstalk.
- **Surviving at the bottom:** Robert Campeau, the Donald Trump of retail, is climbing down the Campeau ladder.
- **Minding the store:** Merger mania cools off as retailers try to fix the problems within their four walls.
- **Too much hype:** Hypermarkets are too big, too far away and too pricy.
- **Pad fad:** Fashion retailers are swapping big, bulky shoulder pads for more feminine, rounded ones.
- **Oversized is overdone:** Big, baggy, boxy women's clothes are getting outnumbered by a more feminine, tailored look.

Whisper when you say "everyday low prices" to Michael Bozic.



Someone trying to throw you into a crock of alphabet soup? ADI. MSA. DMA. GRP. When it comes to buying newspapers in Tampa Bay — just stick with your ABCs. Audit Bureau of Circulations reports.

Times daily circulation is 341,363. And, 437,654 on Sunday. Compare that with the Tampa Tribune's numbers — 265,988 and 360,251, respectively. The new '89 ABC audit confirms that the Times is Tampa Bay's largest newspaper . . . and has been since 1971! That's the bottom line.

Next time, just remember. The Times is Tampa Bay's largest newspaper. It's as simple as ABC.

St. Petersburg TIMES
1-800-333-7505

Ad you need in Tampa Bay

Ad Age/8-20-90

Alcoholic beverages

Sobering thoughts about holiday sales

By Patricia Winters

There's a wives' tale that when the economy takes a downturn, consumers drown their woes in liquor.

Unfortunately for the liquor industry, it's just a wives' tale.

"I wish [it] were true," says ck Shea, director of external afrs for Heublein Inc., the nn's No. 2 liquor company. "Hisy doesn't show that the [liquor] dustry takes a nose dive in ressions. Nor does it show that peoe went crazy and drank more, spite what we like to think."

As the threat of recession looms over the fourth quarter, industry marketers are cautious about the outlook for liquor sales.

"The economy is slowing, and it will definitely affect holiday liquor sales," says Ernest Capria, director of marketing services at Carillon Importers, marketer of Absolut vodka and other superpremium brands.

The timing couldn't be worse for the industry: Some distilled spirits realize 25% to 40% of annual sales in the fourth quarter.

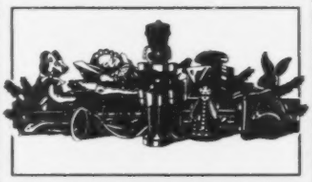
The *Ad Age*/Gallup poll had some good news and some bad news for liquor marketers.

Of those surveyed, 25% say they would continue to buy preferred brands if the U.S. were to enter a recession within the next few months. Only 9% say they would switch to less-expensive products.

The bad news: 18% say they would quit purchasing alcoholic beverages altogether in the event of a recession, and 39% say the question is "not applicable."

Mr. Capria says superpremium brands, such as Absolut vodka and Chivas Regal scotch, will continue to garner sales from image-conscious and affluent consumers who are more resistant to a recession than other consumers.

Ad Age/Gallup survey



Alcoholic beverages

If there is a recession, which of these statements best describes your probable spending behavior in this category?

I would purchase less expensive products	9%
I would continue to purchase preferred brands	25%
I already purchase the least expensive products and would continue to do so	8%
I would quit purchasing them altogether	18%
Not applicable	39%

Source: The Gallup Organization

Also helping the superpremium category is the prospect of consumers trading up in liquor because they're cutting back on other, more pricy luxury items.

"People have found that if you can't buy that new car or that washing machine, [they] tend to reward themselves by eating or drinking better, and they may upgrade a bit," says John C. Maxwell Jr., beverage analyst with Wheat, First Securities.

During tough economic times, other consumers switch to lower-price brands such as Glenmore Distilleries' Skol vodka.

Glenmore, which markets primarily low- and value-price brands, is already benefiting from a slow economy, says Bruce McDonnell, VP-marketing. Its case volume increased 4% for the year ended June 30.

The segment of the market that has no cause for celebration is the middle tier, which analysts say suffers as consumers either trade up to an "affordable luxury" in the premium and superpremium market or trade down for price.

Making matters worse is that mid-price brands already have been hit hard by the industry's decade-long decline.

"The place I wouldn't want to be is in the middle," says Mr. McDonnell.

A decline in mid-price brands could hurt overall ad expenditures, analysts say. While the mid-price brands don't get the kind of high-test ad support allotted to premium and superpremium brands, the profits from those often foot marketing expenses for a company's entire brand portfolio. □

WHAT'S IN

- **The Kamikaze:** This vodka drink popularized in the 1970s is making a big comeback.
- **Stayin' alive:** And you thought the white wine spritzer went the way of fern bars and discos.
- **Boozeless breakthrough:** After several stumbles, non-alcoholic beer finally is catching on.
- **Virgin anything:** From Mary to strawberry daiquiris, this one fits the no-alcohol, health-conscious trend.
- **Classic cocktails:** Manhattans and martinis are among the few "hard" alcoholic drinks left anymore. Plus, the glassware and shakers are definitely *de rigeur*.
- **Margaritas:** Mexico's national drink is as hot as ever.
- **Eire go bragh:** The Black & Tan, one part Bass Ale topped by one part Guinness, is one place where the Irish come out on top.
- **Springing forth:** Sparkling water is in—but skip the Perrier. Now it's trendier to ask for the regional or imported brand of your choice, from Italy's San Pellegrino to Calistoga from California.

WHAT'S OUT

- **Getting moldy:** The Jell-O Shot, last year's hot trend, will be next year's joke.
- **Sex on the Beach:** Not in today's cautious society.
- **Buy American:** Sales of imported beers are slumping.
- **Bourbon and rye:** Save it for your parents, but they probably aren't drinking it either.
- **Cheap stuff:** If you can't serve a name brand, stick with soft drinks. □

America's losing interest in Sex on the Beach.

Cigarettes

'Worried people smoke more'

By Judann Dagnoli

Recession may drag down most consumer marketers, but it keeps cigarette companies in good cheer.

Cigarette consumption increases in times of recession, industry observers y. "When people are worried, ey smoke more," says Wheat, rst Securities analyst John C. axwell Jr.

"In a recession, cigarette marting is a good place to be," adds ineWebber analyst Manny ldman.

Although there's no evidence a cession could help stem the conuing decline in cigarette conmption, Mr. Maxwell says that ring the 1983 economic downrn consumption dropped 4.5% t rebounded and was actually 0.5% the following year from hat it was before the drop.

More recently, tobacco conmption had been dropping 2% nually, a tumble that accelated to 5% last year, some anats say.

"Tobacco is one of the few marts that tend to remain unafcted by recession," says Philip orris USA VP-Marketing David ngoor. He notes the cigarette arket trends upward in a recession because "smoking for people is a pleasure—a friend" in tough times.

Although the $36 billion industry as a whole "wouldn't blink" in

(Continued on Page S-7)

WHAT'S IN

- **You've come a long way, baby:** More women smoke than men, and many are smoking brands designed just for women.
- **Low-smoke smokes:** If you can't beat it, reduce it.
- **Covering all the bases:** Virginia Slims Superslims, low-smoke cigarettes for women, is an idea whose time appears to be right.
- **Value price:** Giving generics a brand name helps stomp out the plain-wrapper stigma.
- **Old Joe:** The latest ad effort featuring the Camel spokesthing is two years old and still smokin'.
- **Boxed in:** Cigarette boxes are giving soft packs a hard time.
- **Still riding high:** Marlboro, again and always.
- **Highly targeted cigarettes:** As long as the company doesn't openly admit whom they're targeting.

How slim is slimmer than slim?

WHAT'S OUT

- **Highly targeted cigarettes:** As long as the company admits whom they're targeting.
- **Like a cigarette shouldn't:** RJR's Winston is now decidedly uncool.
- **De-clining:** Philip Morris' Next DeNic—because less nicotine means less taste.
- **Identity crisis:** Generic cigarettes illustrate the power of a brand name.
- **The Jammie Man:** As Wells, Rich, Greene tries to come up with a new execution for Benson & Hedges, consumers are still wondering what happened to the Jammie Man.
- **Tried and TRUE:** New brand names fade as marketers see wisdom of sticking with line extensions. □

Toy dealers who ignore New York's Hispanic consumers are just kidding themselves.

In 1988, New York's Hispanics spent more than $35 million on toys and games.

Want to reach these buyers? Advertise on WNJU 47—New York's #1 Spanish-language television station. It's as simple as that!

WNJU 47
Telemundo in New York

For more information, call Rosemarie Lieberman (212) 492-5603

Source: Arbitron, May 1989, sign-on to sign-off. AGB 1988 Telemundo Product Usage Study, New York ADI.

Toys

The 'have-not' toymakers may take it on the chin

By Kate Fitzgerald

Only a handful of toy marketers will rejoice this Christmas if widespread predictions of a gloomy toy-selling season prove correct.

The weakening economy plus an overemphasis on the videogame segment and the red-hot Teenage Mutant Ninja Turtles have created havoc for the majority of toy marketers.

The winners will be few this fourth quarter, which traditionally accounts for 60% of toy marketers' annual sales. Nintendo, Sega and other videogame software marketers will rack up big sales.

Another sure winner is Playmates Inc., whose lean, green creatures from the sewer continue to snare profits as the Teenage Mutant Ninja Turtles craze enters its third year.

Less-fortunate rivals with action figures whose popularity has waned, such as Hasbro Inc.'s G.I. Joe, Kenner's Ghostbusters characters and Starting Lineup sports heroes, will limp through another season with lackluster sales.

Overall, toy industry sales are expected to remain flat for the year, hovering around $13 billion, with an additional $3.5 billion in videogame sales.

"It's going to be one of the worst years in recent history for toy sales," says Allen Bohbot, president of Bohbot Communications, the New York-based media buying agency specializing in toy advertising. "There's just nothing really hot out there, except for videogames and the Turtles."

Despite that gloomy picture, certain marketers such as Mattel Inc. and Tyco Toys are anticipating stronger sales, thanks to surprising strength in the girls' segment.

Tyco Toys has stolen the spotlight among marketers targeting girls this Christmas, building on the surprisingly strong performance of its Oopsie-Daisy doll. When the season is over, it expects to post a 17% sales increase over last year to $450 million.

"We're definitely the exception to the rule for most marketers in the toy industry this year, because we didn't even try to fight the war in the boys' action figure area," says Jim Alley, senior VP-marketing at Tyco.

This year Mattel, Hasbro and Tonka copied Tyco's strategy, bringing out additional baby dolls with special features such as crawling, crying and "wetting" their diapers, but Tyco still has the lead in the baby doll niche.

"It's pretty clear, even looking at the competition, that we made a good move last year. We saw openings in the girls' toy area nobody else was exploiting," Mr. Alley says.

Tyco's lead item this Christmas is My Pretty Ballerina, which comes equipped with music the doll "dances" to. Support includes a $5 million network and national spot TV campaign via Bozell, New York.

Tyco's competition in the doll niche includes Mattel's perennially popular Barbie, along with its new baby doll line called the Magic Nursery; Hasbro's Baby Uh-Oh; and Tonka's Hush Little Baby.

"There's competition but we're not worried, because we already have a lot of momentum in the doll area—at least for this year," Mr. Alley says. □

WHAT'S IN

■ **Sewer savvy:** Fresh from the sewers, the Teenage Mutant Ninja Turtles continue their awesome sales. Action figures, accessories, vehicles and licensed merchandise—all will sizzle this Christmas.

■ **Hands-on:** Hand-held videogames—Nintendo's Game Boy, Acclaim and Tiger Electronics—offer alternatives for videogame fans who want something portable and more affordable. Watch for more expensive Game Boy models to land under the Christmas tree and competitors' less expensive versions to be stuffed into stockings.

■ **Nintendo software:** If they've got a Nintendo Entertainment System, they simply want more, more, more software to go with it. Pricy new cartridges ranging from $25 to $50 will top the lists of most videogame fans, with movie-inspired titles such as Acclaim's new "Narc" and "Total Recall" titles fanning the fever.

Boys—Turtles; girls—baby dolls such as Tonka Products' Hush Little Baby.

■ **Licensed characters:** Hanna-Barbera's Jetsons and Flintstones characters are experiencing a new wave of popularity among both kids and plenty of adults, driving sales of everything from T-shirts to plush toys. Disney pals such as Peter Pan and Ariel ("The Little Mermaid") also are in demand.

■ **Baby boom:** Little girls are clamoring loudly for baby dolls this year, especially if they didn't get Tyco's Oopsie-Daisy last year. This year the crawling, crying baby's back, with competition.

WHAT'S OUT

■ **Dick Tracy:** The hero who told us "I'm on my way" is on his way out fast, after licensed merchandise enjoyed fleeting popularity around the June release of the Warner Bros. film.

■ **No fun in the playhouse:** Pee-Wee Herman, the man who brought us lines like, "I know you are, but what am I?" has faded. Hey Vern, It's Ernest! and Ed Grimley dolls also have plummeted.

Pee-Wee doll says: "Aargh." Now, so does its marketer.

■ **Not a bumper crop:** When Coleco went bankrupt, Hasbro bought Cabbage Patch Kids, the line of homely dolls that was a major hit in the mid-1980s. Despite attempts to bring back the fad, it's history. □

Cosmetics & toiletries

Gift-with-purchase likely to provide holiday cheer

By Adrienne Ward

Americans will likely put their best face forward for Christmas this year.

The fragrance and cosmetics industry is expected to post slight increases for the holidays despite consumer caution, industry insiders say.

"I think it will be a good Christmas for cosmetics and fragrances," says Susan Babinsky, manager-consumer products consulting practice for Kline & Co. "Consumers have concerns regarding the economy and the Middle East—they are cautious. But this may mean good news for cosmetics and fragrances. People will hold off on buying a VCR, but fragrances are an affordable luxury item and good for gift giving."

The *Ad Age*/Gallup poll backs this assertion. In the event the U.S. enters a recession, one-fourth of those surveyed say they would trade down to less-expensive cosmetics and toiletries, while 45% say they would continue to purchase their preferred brands.

However, Diana Temple, VP at Solomon Bros., says consumer caution could hurt upper-end fragrances. When retailers mark down apparel, which they already are doing, sales of fragrances in stores suffer, she says.

"Value will be very important this Christmas; the more consumers can get for their money, the better. If they can get a sweater for $20 at markdown, they may decide on that rather than a fragrance."

To that end, Annette Green, executive director of Fragrance Foundation, advises marketers to emphasize value and quality in their holiday marketing efforts. She says gifts-with-purchase will be important selling tools for fragrances, and that classic scents like Chanel No. 5 will be especially strong.

"It's going to be tough no matter how you cut it. Consumers are going to be careful," she says. "But unless they're on the bread line, Americans buy Christmas gifts."

While some marketers will be forced to cut ad spending, others are moving in the other direction.

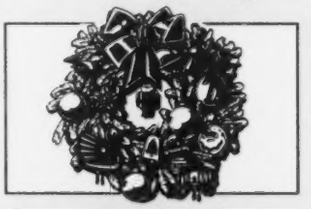
Josef Schreick, VP-marketing and creative services at Aramis, says the division of Estee Lauder Inc. is increasing its fourth-quarter ad-promotion budget 35% over the same period last year.

At Chanel, the fourth quarter ad budget is about 30% higher than last year's, according to Steve Kaputo, executive director of marketing services.

Chanel reallocated its 1990 budget to heavy up in the crucial fourth quarter. A new spot for Chanel No. 5, created in-house, will air frequently in 20 major markets throughout the holiday season. Media was bought by DDB Needham Worldwide, New York.

"Life goes on, holidays still happen, businesses still run. The world doesn't come to a stop," Ms. Babinsky says. "Given that, there is a good opportunity for this business to perhaps flourish to a certain degree." □

Ad Age/Gallup survey



Cosmetics & toiletries

If there is a recession, which of these statements best describes your probable spending behavior in this category?

I would purchase less expensive products:	25%
I would continue to purchase preferred brands:	45%
I already purchase the least expensive products and would continue to do so	21%
I would quit purchasing them altogether	5%
Don't know	1%
Not applicable	3%

Source: The Gallup Organization

WHAT'S IN

■ **Back to nature:** There's nothing ghoulish about "green" makeup. Taking a cue from England's successful Body Shop, U.S. cosmetics marketers are toning up their use of botanicals, recycled packaging, refill packs and non-animal testing methods. Even chi-chi Estee Lauder has joined the green team with its Origins line.

■ **Making scents:** To spiff up fragrance sales for fall, marketers are unleashing several new scents. Revlon leads the pack with Unforgettable, Guess and three scents from fashion designer Bill Blass: Nude, Basic Black and Hot.

Claudia Schiffer dresses in her Sunday best.

■ **Cross-smelling:** "Unisex" fragrances are the latest trend in perfumes.

■ **Claudia Schiffer:** Guess who's working at Chanel and elsewhere?

■ **Bubble, bubble:** Fragrance marketers are finding growth and prosperity in line extensions for the bath.

■ **False eyelashes:** Did Tammy Faye Bakker leave a lasting impression or are women just nostalgic for the '60s?

■ **The eyes have (lots of) it:** Cleopatra-like eye makeup is in vogue this fall . . . but only if you're wearing pale lipstick.

WHAT'S OUT

■ **Hollywood overdose:** With all the celebrity scents around today, fragrance counters are beginning to look like "Hollywood Squares."

■ **Bic:** These fragrances didn't flick our Bics.

■ **Deep, dark tans:** Americans are finally learning the definition of melanoma.

■ **Now you see it:** Clear mascara is getting covered up by false eyelashes.

Automotive

Carmakers stuck in low gear

By Raymond Serafin

For auto marketers, the question of a recession isn't whether there will be one but, rather, how long it will continue.

"We've been in a recession for a year in housing and new cars," says Chairman Lee Iacocca of Chrysler Corp.

Mr. Iacocca predicts "slow movement for another six to 12 months for sure" in the automotive industry.

For the first seven months of 1990, car and light-truck sales were off 3.3% compared with the same period in 1989, to just under 8.5 million. And 1989 itself was a less-than-banner year, as total calendar-year sales fell 5.9% from 1988—a decline of more than 900,000 vehicles.

The oil crunch that has shaken consumer confidence has only added to the industry's problems. About 20% of consumers polled in an earlier *Ad Age*/Gallup survey say they are reducing their driving since the Middle East crisis began. If gas prices keep climbing, an even greater number say they will cut back on non-essential travel.

Industry reports say North American manufacturers have scaled back third-quarter production plans from their earlier targets, indicating industry officials are pessimistic about any recovery in the fourth quarter.

The sales slump has put downward pressure on ad budgets, but competitive realities have kept auto companies from decreasing their spending, resulting in an overall flat trend expected to continue through yearend.

"I don't see any more pulling in [of ad budgets], just a general uneasiness," says Richard O'Connor, chairman-ceo of Lintas: Campbell-Ewald, Warren, Mich., agency for GM's Chevrolet division, GMAC finance subsidiary, Delco Electronics and AC-Delco. "I've heard nothing in conversation with clients that they're going to hold back as a result of the current situation."

Thomas Wagner, VP-general manager of Ford Motor Co.'s Ford division, says he hasn't downgraded expectations for fourth-quarter sales, although he says Ford dealers report shoppers have been expressing concern about the general economy.

Ross Roberts, VP-general manager of Ford's Lincoln-Mercury division, says the division isn't changing any fourth-quarter marketing strategies as a result of consumer fears. "There's no point in retrenching at this point. We're going forward with our initial plans," Mr. Roberts says.

He and others who market luxury cars fear they will be the first hit by a downturn if the stock market continues to falter, causing potential luxury-car buyers to postpone purchases.

"In a normal kind of recessionary cycle, the luxury segment doesn't go down as fast," says John Grettenberger, VP-general manager of GM's Cadillac division. "Normally, the guy working to meet a car payment is the first to feel it—when he gets laid off, or his friend gets laid off, or orders are down at the factory."

Slow sales mean marketers will face continued pressure from dealers to prop up sales with consumer incentives, such as low interest rates and rebates. □

Ad Age/Gallup survey

Automotive

About 20% of Americans polled say they already have reduced their driving since Iraq invaded Kuwait. But if gasoline prices don't fall soon, an increasing percentage of people say they will cut back on non-essential travel. . .

For social outings	64%
For dining out	42%
For vacation travel	41%
For entertainment	38%

Source: The Gallup Organization

Sunny Capri

Terrarium Trans Sport

WHAT'S IN

- **Mercury rising:** With California dealers asking as much as $3,000 over sticker, the Mercury Capri could turn out to be this year's Mazda Miata.
- **Lexus:** It proves you don't have to be German to make a mark in the luxury-performance field.
- **Under the scope:** Launch of General Motors Corp.'s first Saturn cars will be inspected and dissected by public and press.
- **Fuelish neglect:** After a decade of being ignored, EPA mileage ratings are about to become a copy point in auto ads, thanks to events in the Middle East.
- **New ideas:** Alternative-fuel vehicles gain interest. An electric-powered prototype like the GM Impact is expected to be in production by mid-decade.
- **Tomahawked:** Ford's Explorer sport utility truck is making a dent in Jeep Cherokee sales.

WHAT'S OUT

- **Yugo:** It's back, but why?
- **Chink in the armor:** Infiniti proves being Japanese isn't a sure-fire ticket to success in the U.S.
- **Lost franchise:** The cost of acquiring land, hiring and training personnel and stocking parts is getting prohibitive for new franchises.
- **Daring and speed:** After safety groups pressured Nissan to withdraw its Ridley Scott-directed spot in which a 300ZX outraces a fighter jet, other advertisers will think twice about investing in any similar productions.
- **Gas guzzlers:** How many oil crises will it take to kill them off?
- **Fading Silhouette:** Best suggestion so far for what to do with the enormous dashboard space on the futuristic-looking GM minivans: Use it as a terrarium. □

Consumer electronics

Wary of a power crunch

By Ira Teinowitz

Consumer electronics companies wish they could rewind the tape back to last year.

After experiencing record sales in 1989, electronics marketers already were eyeing 1990 warily. Recent concerns about consumer purchasing ability have only heightened their uncertainty about fourth-quarter sales, which account for roughly 40% of annual sales.

The Electronics Industries Association as early as January predicted flat sales of VCRs and only slight growth in TVs. Although projection TV unit sales are up an estimated 7.5% and camcorders are expected to post double-digit growth over last year, this year's first-half results prompted concern even before the recent energy price increases.

"We have seen a softening in the color TV market," says Tom Lauterback, VP-communications for the association.

Mr. Lauterback says the group now believes the electronics industry may not hit last year's sales of 21.7 million TV sets and that VCRs will remain flat.

Yet he and some other industry sources suggest the industry may be "recession proof."

They say consumers who cut back on outside entertainment spending stay home and watch TV or listen to music, which may lead them to upgrade their equipment.

If the economic situation in the U.S. worsens during the fourth quarter, consumers will be staying home. For example, the *Ad Age*/Gallup poll shows 57% of those surveyed will cut back on going to the movies.

"I could paint a scenario where fuel prices keep them home and focus their attention on inadequacies in their systems," Mr. Lauterback says.

James Harper, manager-PR for Thomson Consumer Electronics, marketer of RCA and GE brands, says his company still foresees gains in most categories.

"In the past in an economic

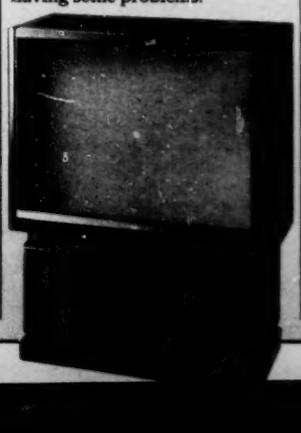
(Continued on Page S-7)

WHAT'S IN

- **For posterity:** Baby watching and price cuts are pushing camcorders to the forefront.
- **Bigger the better:** Despite being part of a shrinking industry, 27-inch-plus TVs and projection sets continue to grow.
- **Smaller the better:** Sales of the smaller-format 8mm tapes continue to grow.
- **Home theaters:** Rooms with high-tech TVs and stereos are hot.
- **Home economics:** Fax machines are expanding beyond business and moving to the home front. And they're coming down in price.

The big picture

- **Personal growth:** Home personal computers sales are booming at consumer electronics dealers even as computer dealers are having some problems.



- **Sound choice:** Digital audio tapes have finally arrived.
- **Calling season:** Lower prices and more covered areas help fuel the boom in cellular phones.

WHAT'S OUT

- **Shrinking market:** Sales of smaller TV sets (19 inches and under) are fading.
- **Stuck in pause:** With many homes now VCR-equipped, sales have started to peak.
- **Broken records:** This could be the year the record dies. As music stores continue shrinking record departments to make room for CDs, record sales are skipping too many beats. □

Electronics dealers who ignore New York's Hispanic consumers are in for a shock.

In 1988, New York's Hispanics spent more than $200 million on electronics, including $40 million on TV sets, $16 million on VCRs and $17 million on camcorders.

Want to reach these buyers? Advertise on WNJU 47—New York's #1 Spanish-language television station. It's as simple as that!

WNJU 47
Telemundo in New York

For more information, call Rosemarie Lieberman (212) 492-5603

Source: Arbitron, May 1989, sign-on to sign-off.
Lee Slurzberg Research, Inc.
New York Retail Study, January 1989.

Dining out

High prices gnaw at Arby's exec

Larry Krueger has guided restaurant chains through many tough fourth quarters during more than 20 years in the business.

Recently named exec VP-marketing for the Arby's Franchise Association, the marketing arm of Arby's, Mr. Krueger, 51, had served since 1980 as the chain's senior VP-marketing. Prior to that, he held the VP-marketing posts at Kentucky Fried Chicken Corp. and Burger King Corp.

Chicago Bureau Chief Scott Hume spoke to him recently about the challenges facing the $65 billion quick-service restaurant industry through the end of 1990.

Advertising Age: *The restaurant business has endured a tough first half in 1990. What are the prospects through the third and fourth quarters?*

Mr. Krueger: I'm concerned for Arby's, and I think there's reason to be concerned for the industry.

There have been big price increases because when sales get soft there's a tendency to raise prices. That works for a while, but not the long term.

We're starting to overprice ourselves. Some of that is artificially high prices you can discount, but then it gets like list prices with cars, and you get stuck in discounting. You lose menu integrity when that happens.

ONE ON ONE

"When prices rise, the first thing the consumer gives up is a drink. They can get a Big Gulp for less at 7-Eleven."

—Larry Krueger

AA: *Are you feeling the recession?*

Mr. Krueger: We watch the Consumer Price Index, and when food-away-from-home prices rise faster than food-at-home, as they are now, we run into trouble. When prices rise, the first thing the consumer gives up is a drink. They can get a Big Gulp for less at 7-Eleven or coffee or a soft drink at work or home.

AA: *Do you expect concerns about oil prices and the Middle East to affect business?*

Mr. Krueger: I don't think we'll see an impact until later this year.

I think we'll encounter a "scared consumer," and that's bad, because a scared consumer does lots of unpredictable things.

He avoids going into debt. He starts making changes in discretionary spending. That impacts on us. Maybe he takes his lunch.

AA: *Are you making changes in anticipation of that?*

Mr. Krueger: We've had to. We've rethought the whole fourth-quarter marketing plan.

December traditionally has been a good month for us, our No. 2 or 3 month in sales. We always run a "Holly Glass" promotion during the quarter and we will this year. But we used to just run a free standing insert for it and sit back and collect the money.

But not this year. We're going to have to fight. A glass may not be enough.

AA: *What does the revised marketing plan include?*

Mr. Krueger: It's not business as usual.

We're going to run the glass promotion earlier, in November, but we'll also be running promotions and new products from September through the end of the year.

We've given franchisees a choice of several: a 99¢ promotion on some of the classic roast beef sandwiches; a "5 for $5" deal on sandwiches; a French Dip combo; a whole arsenal.

We were going to do one new product, the Albuquerque Turkey sandwich, but now we're giving franchisees a choice of promoting that or a Triple Cheese roast beef sandwich.

We don't want franchisees saying, "You didn't give me something to fight with."

AA: *How tough will that fight be through the rest of the year?*

Mr. Krueger: Very. There's been a general slowing of sales in the industry, and that's going to intensify, and so is competition.

McDonald's is not going to sit around. They'll get aggressive. And you can be as smart as you want, but when the big guys start swinging, you're going to get hit. □

Ad Age/Gallup survey

Dining out

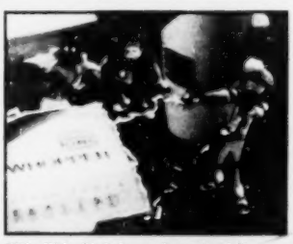
If the U.S. enters a recession in the next six months, would you reduce spending in this category?

Yes	69%
No	27%
Don't know	2%

Source: The Gallup Organization

WHAT'S IN

- **On the front burner:** Grilled food sounds healthier and has lower cholesterol than that nutritional profanity, "fried."
- **Drink it in:** You loved the movie, now drink from its promotional glass. David Lynch's quirky "Wild at Heart" must be the only major movie without a restaurant tie-in promotion.
- **Oh tannenbaum:** McDonald's has been making tree ornaments a key fourth-quarter promotional premium for a few years, and other chains are expected to jump on the sleigh.
- **Join the club:** The success of Burger King's Kids Club proved McDonald's hold on the children's market isn't as rock-solid as everyone in the industry believed.



BK's Kids Club is a whopping hit.

WHAT'S OUT

- **Something fishy:** Burger King quietly deep-sixed the curiously named "Fish Tenders" this summer. And when was the last time McDonald's advertised its Filet-O-Fish? McSwordfish, anyone?
- **Stone throwing:** In the past year, Arby's, KFC and Pizza Hut have run ads carefully mocking Ronald and No. 1. But the industry slump has hit even Big Mac, so why bother bashing McDonald's when you're down, too?
- **In the bag:** Most kids' meal boxes end up in the garbage, which is bad environmental public relations, so chains are moving toward bagging kids' meals.
- **Nasty habits:** Everyone hates coupons and discounts but can't seem to shake the habit. Still, chains are looking for any kind of "value-added" promotion as an option to price cutting. □

Food

Trade-offs, multi-use foods gain

By Julie Liesse

Consumers aren't stocking up on Spam yet, but grocery-store marketers are bracing for recessionary changes.

"Corporate earnings reports are showing lackluster or declining sales and profits; we're seeing more unemployment," says John Blair, VP-marketing services and new ventures at Quaker Oats Co. "As all of this gets talked about more and more, a consumer mindset begins to develop."

The last major recession in the mid-'70s caused "a dramatic shift of economic purchases toward fundamental food values," Mr. Blair says.

"The consumer makes food-buying decisions based on a tripod of cost, food value and convenience," he says. In tough economic times, consumers will make some trade-offs, and "cost and basic food values take on greater importance."

The *Ad Age*/Gallup poll shows 51% of consumers would continue to purchase their preferred grocery brands during a recession, while 27% would opt for less expensive products.

Historically, as consumers modify their shopping lists, more frivolous and junk foods "tend to drop out," Mr. Blair says.

As convenience takes a back seat to economy, single-serve items and foods "with the appearance of being overpackaged" are less attractive to shoppers. And consumers might not be willing to pay premium prices for items such as pet food.

On the other side of the ledger, foods offering basic nutritional value at relatively low prices per serving are staples during troubled economic times. Also, multiple-use foods—mixes that "transcend a meal occasion" and can be used at breakfast and dinner—likely will benefit.

Quaker, for instance, watched sales in two of its categories—pancake mix and hot cereal—grow 4% to 10% during the mid-'70s recession, Mr. Blair says. "That's pretty good growth in the food business, especially for more mature, basic food products. I think we'll see categories like those grow again."

But he says the current slowdown differs from that of the '70s, particularly as a result of the growth in two-income families.

"That won't make shifting food choices go away, but it will have a moderating effect," he says. The food industry won't feel the effects of a recession or consumers' recessionary attitude immediately, Mr. Blair says.

"Food usually trails, because it remains a necessary purchase. But shifts will occur—probably 18 months to two years out." □

Ad Age/Gallup survey

Food

If there is a recession, which of these statements best describes your probable spending behavior in this category?

I would purchase less expensive products	27%
I would continue to purchase preferred brands	51%
I already purchase the least expensive products and would continue to do so	20%
Don't know	1%
Not applicable	1%

Source: The Gallup Organization

WHAT'S IN

- **Fat-free food:** When Entenmann's told Americans they could eat cake, Americans listened. So did the competition.
- **General Mills:** Big G stands for great as far as cereal success goes.
- **Healthy Choice:** Likely to make ConAgra as well known as Pillsbury.
- **Kids foods:** Who has time to make every meal for the children any more? My Own Meal, Kid Cuisine and others prove "do-it-yourself" is possible without parental guilt.
- **Non-supermarket pet foods:** Nothing but the best for Fido.
- **Pillsbury Doughboy:** Now a mature man of 25, he's blossoming into a corporate spokesman the likes of Tony the Tiger.
- **Olive oil:** Bertolli ads have triggered a rush for low-guilt cooking.
- **Bite-size foods:** Zappetites and cookies and crackers from Keebler and Nabisco are making it big by downsizing.

Pillsbury Doughboy on a roll

- **Ad agency consolidation:** Sara Lee, Ralston and Campbell have streamlined the process; is Kraft General Foods next?
- **Database marketing:** Quaker Direct leads the way to a new way of selling package goods.
- **ConAgra's Mike Harper:** He survives a heart attack, sells Right Co[illegible]e with a religious verve and builds ConAgra into the biggest "unknown" company.
- **Old bags:** Shoppers are acting enviro-friendly by using and reusing string and cloth shopping bags.

WHAT'S OUT

- **Oat bran:** Enough is finally enough!
- **Kellogg:** As market share goes soggy, it can't buy a new-product winner.
- **The caffeine buzz:** Regular coffee has found a bitter enemy in its spartan cousin.
- **Supermarket pet foods:** Only the best for Fido.
- **Bill Cosby:** We've had just about enough Jell-O talk from the Coz.
- **Full-calorie salad dressings:** Not in today's fat-free society.
- **Tastes bad, less filling:** The consumer has caught on to microwaveable food—Taste is more important than time. □

Package goods

Recession-proof, but nervous

By Laurie Freeman

"It's not like we like tough times, but [the package-goods] industry is recession-proof," says Howard Bernick, president-chief operating officer, Alberto-Culver Co. "Consumers put off purchasing a car but they don't put off washing their hair."

In the *Ad Age*/Gallup poll, 48% of respondents say they would continue purchasing their preferred brands in a recession; 25% would buy less expensive products; and 26% say they already purchase the least-expensive products.

Mr. Bernick says Alberto-Culver's "biggest problem is wanting to ship more product. Stores are keeping a much tighter rein on inventory."

Although rising oil prices inflate the cost of virtually all goods, package-goods companies remain optimistic they can pass along those increased costs to maintain profit margins without hurting brand loyalties.

"I don't expect the bottom [of the economy] to fall out," says David Webb, president-ceo, Lever Bros. "I lived through the last energy crisis . . . and strong businesses are able to cope with situations like that."

Unlike the last recession in the early 1980s, marketers don't believe consumers will turn to the plain-labeled generic products that became more popular during the difficult times then.

In many cases, the generics did not live up to the quality of the national brands, says Frank Blod, principal of New England Consulting Group.

"Consumers may trade down modestly . . . but consumer-goods companies are not going to be hurt too badly, if at all," he says.

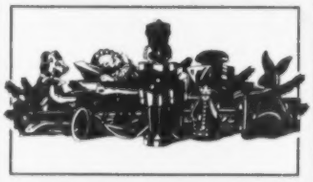
Colgate-Palmolive Co. says it's already seen some changes in consumer buying behavior worldwide in the area of high-ticket items.

"But overall it's been a healthy year globally," says Clay Timon, VP-worldwide advertising. "I can't say we're seeing much negative impact from this global recession."

Mr. Timon says companies, including Colgate, in the past several years made concerted efforts to trim expenses, and now are positioned to invest more in advertising.

"A recession is not the time to cut advertising," agrees Mr. Bernick. "We try as much as we can to increase, not cut, advertising and promotion spending," he says. "We continue to support our brands, even the ones that are struggling, to come out stronger at the end [of a recession] than at the beginning." □

Ad Age/Gallup survey



Package goods

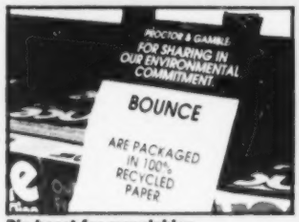
If there is a recession, which of these statements best describes your probable spending behavior in this category?

I would purchase less expensive products	25%
I would continue to purchase preferred brands	48%
I already purchase the least expensive products and would continue to do so	26%
Don't know	1%

Source: The Gallup Organization

WHAT'S IN

■ **Earth-friendly:** Anything green is good as gold as enviro-friendly products and refill packs become the industry rule, not the exception.



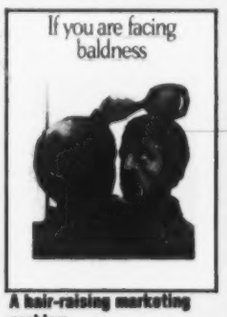
Big boost for recyclables.

■ **Lightening up:** Colgate-Palmolive, Lever and P&G are taking some of the weight out of doing laundry with superconcentrated detergents, which can average 25 washloads from a 63-oz. package. With boxes made from recycled paper and plastic scoops and handles that can be recycled, superconcentrates are also eco-friendly.

■ **Gesundheit:** Because colds and the flu have different symptoms, why use a cold remedy to treat the flu? Enter the flu remedy. On the heels of Sandoz's TheraFlu, Johnson & Johnson's McNeil Consumer Products Co. is introducing Tylenol Cold & Flu, also a lemon-flavor powder to be mixed with hot water.

■ **From small things . . . :** Packaged in recyclable containers that feature its Little People, Fisher-Price's new hair and skincare line for kids has taken off.

■ **The bottom line:** Cloth diapers are beginning to reappear on supermarket shelves as an alternative for parents who don't want to contribute to the 18 billion disposable diapers heading into landfills annually.



A hair-raising marketing problem.

WHAT'S OUT

■ **Thinning potential:** Upjohn's Rogaine baldness remedy is in a rough spot. Although the marketer says sales momentum is building for the twice-daily topical drug, balding men have not flocked to doctors to regain their youthful hair.

■ **Hefty complaints:** Now that the government has cracked down on Mobil for overstating the benefits of Hefty biodegradable bags, consumers and companies appear to be toning down their enthusiam for them.

■ **Stamped out:** Companies appear to be shying away from signing up for programs handing out "Green Seals" that identify eco-friendly products. □

Value-price cigarettes up

(Continued from Page S-3)

a recession, it could mean a further shift among consumers from full-price cigarettes to "value-price" or generic-price smokes, says a former Brown & Williamson Tobacco executive. "It could hurt some full-margin brands," he says.

The value-price cigarette category already has been on the upswing, so much so that all of the six major tobacco marketers sell both value-price and full-price smokes.

Mr. Maxwell says value-price cigarettes accounted for 18% of all cigarettes sold in the second quarter of 1990, up from 11.4% for all of 1988.

Because the price-value concept was only in its infancy during the most recent recession no precedent supports the theory that low-price cigarette sales would increase.

> The market for cigarettes trends upward in a recession because "smoking for people is a pleasure—a friend" in tough times.

But Mr. Dangoor thinks they will. "It's almost definitely the case that value-price cigarette sales would be on the uptick" in a recession, he says.

So far, the advent of value-price cigarettes has not been a major boon to advertising. Most value brands are introduced with big ad schedules in the first year, but afterward support usually drops to point-of-purchase.

For example, PM spent $27 million to advertise the repositioning of its Alpine cigarette to value-pricing in 1989, but its older, more established value brand, Cambridge, received only $3 million in ad support the same year, according to LNA/Arbitron Multi-Media Service.

Should value-price sales rise even more in a recession, marketing budgets of full-price brands almost certainly would increase, industry watchers say, but the jury is still out over whether the bulk of the increase would be in advertising or promotion. □

Consumer electronics

(Continued from Page S-5)

downturn the consumer electronics industry has fared well," he says.

Not all are as positive.

David Lachenbruch, editorial director of newsletter *Television Digest*, sees 1990 being the first year in a decade that TV sales won't be at record levels.

> "A color TV and VCR are highly postponable purchases."

"A color TV and a VCR deck are both highly postponable purchases," he says. "The only reason that TVs will not set a record this year is because of the economy."

He says manufacturers are more concerned about the economy this year than are consumer electronics retailers.

"The retailers say that when the Persian Gulf news came out there were a couple of bad days, but then everybody came back to the stores. The manufacturers are very cautious. They are keeping inventories down and there is lot of concern."

High-level products—those with the greatest profits—will continue to sell, says Mr. Lauterback. Bottom-level products including accessories will also continue to move off shelves. "It's the middle that drops out," he says.

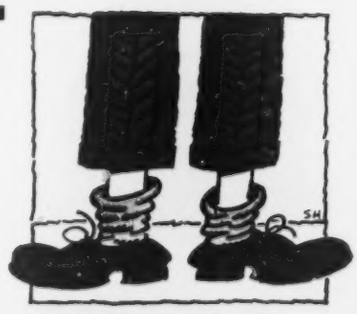
Clark Johnson, VP of NPD Group, a research service, however, suggests that one reason fewer TVs are being sold this year is some of the changes in consumer buying behavior already have occurred.

"My impression is that the recession has already started to hit people with less discretionary income. A worsening would exacerbate it, but wouldn't be a radical change," he says.

Some smaller appliance marketers also are worried about the fourth quarter.

"I expect that we will continue to see a relatively soft retail environment in the third and fourth quarter," says John Beggs, president of Norelco Consumer Products. "In a depressed economic environment, people grow more cautious]" □

Department stores that ignore New York's Hispanic consumers are selling themselves short.



In 1988, New York's Hispanics spent more than $600 million in department stores.

Want to reach these buyers? Advertise on WNJU 47—New York's #1 Spanish-language television station. It's as simple as that!

WNJU 47
Telemundo in New York

For more information, call Rosemarie Lieberman (212) 492-5603

Source: Arbitron, May 1989, sign-on to sign-off.
Lee Slurzberg Research, Inc.
New York Retail Study, January 1989.

Travel

Air carriers landing at lousy time for fare hikes

By Jennifer Lawrence

Airlines are in for an even tougher fourth quarter than usual.

Carriers are getting caught by the uncertainty of the Middle East crisis, flat domestic travel demand and the traditionally slow fall selling season.

"It's not the time to raise prices when you're in a relatively weak economy," says Michael Gunn, senior VP-marketing at American Airlines. "There will be an intensified share fight."

Yet major carriers reluctantly are hiking fares 5.3% by Oct. 1 to recover escalating jet fuel costs.

Consumers likely will not take kindly to that. Already nervous about the prospect of a fourth-quarter recession, most say they will cut back on travel if the economy gets any worse, the *Ad Age*/Gallup poll finds.

"It looks like death," says Edward Starkman, PaineWebber analyst. "Advance bookings are soft. Domestic travel has been down the last few months, but the international side is looking good."

Increased operating costs and little demand may mean that airlines will cut back ad spending as bottom-line pressures mount, suggests John Pincavage, analyst at Transportation Group.

"If the price of oil continues to go up, the airline industry is in real trouble," he says.

While American believes it is well-positioned competitively, the prospect of a recession has made the carrier cautious in its plan for the rest of the year.

That fight is likely to be fought on price, says James O'Donnell, marketing consultant with Seabrook Marketing. "There will be intense pressure for uneconomic fare cutting because of overcapacity, an economic slowdown and rising fuel prices.

"Strong carriers can weather the storm. Weaker airlines will lower fares and try to get out of the problem by maximizing volume," he says.

"If this situation holds, we will see a lot of price advertising and dramatic cutbacks on budgets for 1991," Mr. O'Donnell predicts.

United Airlines, the No. 2 carrier, so far has made no plans to alter its advertising, says John Ruhaak, VP-advertising and promotion. Northwest Airlines will actually increase image advertising in November, according to Judy Mitchell, senior director of marketing communications. □

Ira Teinowitz in Chicago contributed to this story.

Ad Age/Gallup survey

Travel

If the U.S. enters a recession in the next six months, would you reduce spending in this category?

Yes	66%
No	30%
Don't know	3%

Source: The Gallup Organization

WHAT'S IN

■ **Faring poorly:** Price battles will emerge as the way to revive sagging consumer demand this fall.

"100 Days" campaign flies

■ **Class struggle:** Business class is one-upmanship at its best to lure the higher-paying executive traveler.

■ **Flying again:** Ogilvy & Mather, New York, re-entered the airline business after gaining Eastern's $45 million account; Wells, Rich, Greene, New York, was selected by Continental for its $50 million account after it lost Pan Am's business in late 1988.

Business-class boogie

■ **Continental appeal:** Federal judge appoints former Continental President Martin Shugrue to run Eastern.

■ **Whale of an airline:** Southwest Airlines is still a low-cost, short-haul carrier that has fun flying not one but two planes painted like Shamu, the killer whale.

WHAT'S OUT

■ **Merge purge:** Merger mania is over. Just ask Frank Lorenzo, who is back on the ground after selling a majority stake in Continental to SAS.

■ **Just the facts:** Corporate-image ads put on the back burner until financial pressures ease.

■ **Grounded:** Lintas:New York is on the prowl for an airline account after losing Eastern; N W Ayer, New York, also is hoping to get airborne after splitting from Continental.

■ **Triple mileage:** Ancient history for frequent fliers.

■ **NAAG, NAAG, NAAG:** Attorneys general air-fare ad guidelines falter as courts rule states can't regulate airline price ads.

■ **Departing on the Department of Transportation:** On-time ads lose luster in the contest to determine who best massages DOT numbers. □

Travel

Trying that 'come hither' look

By Ira Teinowitz

Consumers will put the skids on travel if the U.S. sinks into a recession within the next six months.

According to the *Ad Age*/Gallup poll, 66% of those surveyed say they would cut back on travel.

Recognizing this dilemma, U.S. resorts and hotels are looking beyond the home front for the fourth quarter by targeting consumers in Europe, Japan and elsewhere.

The dollar's decline makes the U.S. a very affordable travel destination for outsiders.

"We are addressing people internationally," says Mike Lindgren, director of management reporting at ITT Sheraton. "It's our experience that for people in Germany it's a whole lot cheaper to get to the U.S. than [other popular destinations]."

The U.S. Travel & Tourism Administration recently predicted the amount spent by U.S. visitors would exceed the amount spent by U.S. citizens abroad by $1.2 billion this year. The agency estimates 36.6 million visitors will come to the U.S. this year, an increase of 42% from four years ago, and will spend $44.5 billion—double what was spent in 1985.

"The dollar is low, people can afford to come and it's a good buy to come to the U.S.," says Jill Collins, the agency's public affairs director. "A European family can come to Florida and spend a week there for less than it costs to go to Monaco.

"People have a great desire to see this country. The Japanese in particular want to see what they've been seeing in the movies," she says.

Mr. Lindgren says Sheraton sees luring foreign travelers as an alternative to a depressed U.S. market. "We are expecting the third quarter to be down slightly vs. 1989," he says. "There has been a little bit of a decline in conventions and a little bit in business travel. We've had some cancellations in conventions due to the economy."

He says leisure travel has remained fairly constant.

Mr. Lindgren says Sheraton is most concerned about 1991.

"I don't think business travelers will be affected by a $10 increase [in air fares], but there is a chance of it having a negative impact when companies budget for next year," he says.

Ms. Collins says it's too early to assess the impact of the Middle East crisis, but she hopes it might help bring more people to the U.S. "I don't know if they have resorts in Kuwait, but if they have to go someplace else, maybe they will go to Disney World," she says. □

Grinch is back for holidays

(Continued from Page S-1)

much, consumers will start to hoard essential items as well as holiday gifts.

"In a time like this, there is an impulse to rush out and buy the things that may be short later, especially with regard to Christmas. . . . The tug of children and their not having goods for Christmas is very powerful, so Americans may rush to go out and buy Christmas gifts for their children," says Joseph Margolis, a Washington psychoanalyst who specializes in consumer psychology and the economy.

Even so, when asked if they would cut back on gift giving if the U.S. enters a recession within the next few months, 61% of those surveyed responded yes.

However, there is often a dichotomy between what consumers say in times of recession and what they actually do.

This is evident in consumers' responses to the Gallup poll. While a majority say they will cut back on gift giving if the economy worsens, many answered otherwise in response to another question.

In the survey, conducted by telephone in mid-August, consumers also were asked how much they spent on the holiday season last year compared with how much they plan to spend this year. Most consumers said they would make no changes.

"Consumers will say they're trying to save and are prepared for the worst, but what they say doesn't always correspond to what they're doing," says Ernest Dichter, chairman of Dichter Institute International, a consumer behavior research company.

"The logical answer is 'I'm saving.' But in reality, people get tired of living in miserable times, so they counteract their feelings of misery with purchases," often of luxury, high-quality goods, he says.

Dr. Dichter says the result could be a stronger fourth quarter than anyone expected.

"Many people have been sitting on the sidelines, worried about the oil crisis and the economy, and they think maybe this is a good time to buy because things won't come down in price," he says. "In previous recessions, contrary to what the economists were predicting, people got off the sidelines instead of waiting for things to improve." □

Ad Age/Gallup survey

The economy

How likely is it the U.S. will enter a recession within the next six months:

Very likely	29%
Somewhat likely	41%
Not likely	25%
Don't know	5%

Source: The Gallup Organization

Ad Age/Gallup survey

Gift giving

If the U.S. enters a recession in the next six months, would you reduce spending in this category?

Yes	61%
No	37%
Don't know	1%

Source: The Gallup Organization

Ad Age/Gallup survey

Approximately how much did you spend during the Christmas season last year?

Less than $100	8%	$401 to $500	12%
$101 to $200	11%	$501 to $750	12%
$201 to $300	13%	More than $750	29%
$301 to $400	9%	Don't know	6%

Approximately how much do you expect to spend during the Christmas season this year?

Less than $100	8%	$401 to $500	11%
$101 to $200	12%	$501 to $750	11%
$201 to $300	12%	More than $750	29%
$301 to $400	9%	Don't know:	8%

Source: The Gallup Organization

Scatter TV rates fall

(Continued from Page 3)

ey bought what they considered ner 'safe' network dayparts like ytime, news or late night," said al Liebowitz, president and under of KSL Media, New York. hat helped leave a huge soft- ss in prime time, and we can ke advantage of the market nditions."

Network sources say expanded twork sports inventory, in- eased availabilities on Fox oadcasting Co. with five nights prime-time programming and neral economic uncertainties e also factors.

"Clients have money, but they ll only release it closer to air- ne," another network executive d. "They have to worry about rporate profits in the fourth arter."

Network officials dispute yers' contention that scatter rket rates are 30% below up- nt prices.

"Near-term scatter is lower- iced than upfront, but when encies say 30% less, you have to k at what's being compared," the twork sales executive said. "An front package has a price range, d if you compare the top price to low-end buy in scatter, it looks e a big spread. But if you com- re the prices in the same show, it's re like a 10% difference."

The softness is selective. Day- ne, news, late-night and Satur- y morning dayparts are all ht, with scatter time selling at above upfront prices, agency urces say.

Top prime-time shows are also mmanding big scatter prices. gency and network executives ted ABC's "Roseanne" at the p with an asking price near 00,000 for a 30-second spot, ile NBC's "The Cosby Show" d ABC's "America's Funniest me Videos" could get more an $375,000 for a :30.

The asking price for a :30 in x's "The Simpsons" could go as high as $350,000 once original episodes start airing Oct. 11.

Most of the fourth-quarter bargains, media buyers say, are available on CBS and ABC, while NBC and Fox have less inventory to sell and can keep prices higher.

Fox is concentrating on advertisers seeking the 18-34 age group, said Jon Nesvig, senior VP-sales, and fourth-quarter prime-time scatter inventory is selling above upfront prices.

Agency buyers say syndicators are reaping about 20% more for time sold in scatter vs. upfront, while cable TV networks are also "better sold" than last year.

If fourth-quarter network business doesn't pick up and advertisers keep making deals well below upfront costs, some agency executives say, they might consider exercising cancellation options and then use the money on another network at a better price.

The networks generally frown on that practice but buyers say old, unwritten standards and practices are changing.

"Ten years ago, you wouldn't even think of something like that," an agency executive said. "But there's no gentlemen's agreement anymore. Selling time at less than upfront prices is a sure way to bring in cancellation options, and the networks can't say there are unwritten rules against it if they gouge you with prices at the beginning."

Network executives warn that prices are likely to go up in other quarters and say future advertiser/network relationships would suffer.

"If business is good and they cancel, you don't consider it fair play," a third network executive said. □

THE MAGAZINE FOR HELP AND HOPE
ARTHRITIS TODAY

1,200,000 readers
■
High disposable income
■
65% women
■
62.3 years average age
■
840,000 read no other health magazine
■
Very low cost per thousand

Contact Ann Thayer
(404) 872-7100 ext. 242

Cartoons

(Continued from Page 3)

.'s Bart Simpson tied for sixth th Hanna-Barbera Productions' ntstones.

King Features Syndicate's Popeye s No. 8, while Warner's Daffy ck tied with Disney's Winnie the oh character for ninth.

The long-term equity of classic aracters increases every year d is reinforced by advertising, d C. Woody Browne, president the International Licensing In- stry Merchandisers' Associa- n and VP-marketing and li- nsing at Tyco Toys.

"The licensing industry's hot ght now on the strength of wer characters, like the Teen- e Mutant Ninja Turtles and the mpsons, but classic characters ve longer, stronger ties with ults," Mr. Browne said.

"Bugs Bunny has been a top- ted TV show since adults were ds," he said, "and kids who ew up reading 'Peanuts' are out nking about life insurance, so e characters are ingrained in ults' thinking."

Licensing fees and retail sales licensed materials last year to- led $62 billion, and licensed erchandise sales are said to be 8.5% to 10% this year.

So it's somewhat surprising that Teenage Mutant Ninja Turtles, one of the strongest-selling licensed character names, was by far the leader when it came to adults' least favorite characters.

The Turtles are the hottest-selling toy in the U.S. and still are attractive as marketing tie-in partners. Pizza Hut this month launched a major Turtles promotion coinciding with the release of "The Teenage Mutant Ninja Turtles" movie on videocassette.

The Smurfs were second while the Road Runner was third. Bart Simpson finished fourth, followed by the He-Man superhero character. Fox's Simpsons family ranked sixth, followed by Popeye, Garfield and characters from the animated TV show "Beetlejuice."

The Flintstones tied with Merchandising Corp. of America's Woody Woodpecker for No. 10.

The survey revealed gender differences. For example, 81% of those who said Popeye was their favorite were men; 93% of those who named Winnie the Pooh were women.

Men accounted for 61% of those who favored the Road Runner, while women represented 79% of those who said the character was their least favorite.

And of those who listed the Smurfs as their least favorite character, 69% were men.

Classic characters also helped drive ad recall.

When asked which products or services using animated or licensed characters in ads seen in the past 30 days first came to mind, adults most often named Holiday Inns. Ads for Walt Disney World—featuring Mickey and the whole gang—placed second, with Metropolitan Life Insurance Co.—whose ads feature characters from the "Peanuts" comic strip—No. 3.

Nestle Foods Corp.'s Butterfinger candy bar and McDonald's Corp. tied for fourth, followed by Burger King Corp. and Embassy Suites, which tied for No. 6.

Eighth was a three-way tie between the California Raisin Advisory Board's dancing raisins, Disneyland and the Turtles.

The random phone survey was conducted in July. The margin for error is plus or minus 3.1%. □

FOR THE RECORD

TOSHIBA AMERICA Information Systems' Computer Systems Division, Irvine, Calif., is reviewing its $15 million account. Eight southern California agencies are involved, including incumbent Ayer Tuttle and Della Femina, McNamee, both Los Angeles, and Chiat/Day/Mojo, Venice.

MICHIGAN BELL TELEPHONE CO., Detroit, is reviewing agencies for its estimated $20 million account. Incumbent Ross Roy Inc., Bloomfield Hills, is included. Others invited to pitch are Southfield agencies BBDO Worldwide, Campbell-Mithun-Esty, W.B. Doner & Co. and Mars Advertising; DDB Needham Worldwide, Troy; Young & Rubicam, Detroit; and Bayer Bess Vanderwarker and Tatham-Laird & Kudner, both Chicago.

RALSTON PURINA CO., St. Louis, named **DDB Needham Worldwide**, Chicago, as agency for Beech-Nut Nutrition Corp., succeeding Sherwood & Schneider, New York. Before Ralston bought the unit last year, spending was about $8 million.

K MART CORP. is updating its logo as part of a $2.3 billion, five-year renewal program. The red and turquoise logo is being phased out by a new symbol consisting of a bold red "K" with the word "mart" scripted inside in white letters. A page ad ran in national newspapers last week and is expected to appear in magazines. Calet, Hirsch & Spector, New York, handles.

THE NEW YORKER, New York, on Jan. 1 will increase its rate base 4.3% to 600,000. Ad rates will rise 8% to $22,810 for a b&w page and $36,375 for a color page. Separately, *Elle* will raise its ad rates 9.3% with its January issue to $24,965 for a b&w page and $35,930 for a color page. Rate base remains 825,000.

RINGLING BROS., Barnum & Bailey Circus plans to test several retail stores selling apparel, stuffed animals, circus party kits and other merchandise. A small store opened last week in Vienna, Va., with three full-scale stores due this fall in Fairfax; Farmington, Conn.; and Short Hills, N.J. Advertising and promotion will be handled in-house.

SEARS, ROEBUCK & CO. last weekend added an incentive to its SearsCharge card. Customers who accumulate $200 or more in purchases will get a Bonus Club certificate worth 1% of their balance. Print ads broke Sept. 14; network and spot TV starts Oct. 1. Ogilvy & Mather, Chicago, handles.

NBC AND MCDONALD'S CORP. will give away as much as $35.5 million in 28 days during "McMillions on NBC." McDonald's restaurants will start distributing game cards for a daily $1 million prize nationwide Sept. 21. The first winner will be announced on NBC Sept. 24. Simon Marketing, Los Angeles, handles the promotion.

JUPITER, New York, a joint venture between Hearst Corp. and West Germany-based Burda Publications, was folded after two test issues of the astrology magazine were published. Hearst recently published a second test issue of *American Home* and is evaluating a recent test of *Auto Times Weekly*, a joint venture with West Germany-based Axel Springer.

NEW CAMPAIGNS: Mazda Motor of America last week began its 1991 model-year campaign with network and spot TV commercials emphasizing the "It just feels right" tagline. Foote, Cone & Belding, Santa Ana, Calif., handles. . . . **Florida Lottery** last week ran radio spots urging players to play responsibly as the jackpot topped $100 million. Bozell, Tampa, is the agency.

ACCOUNT ACTION: U.S. Mint, Washington, will decide by yearend on a $2.6 million assignment to promote a coin commemorating the 50th anniversary of the completion of Mount Rushmore in 1991. Proposals are due later this month. . . . **Ronzoni Foods**, New York, to **Pedone & Partners** from Cliff Freeman & Partners for its $3 million account. . . . **Gannett Outdoor Group**, New York, to **Kirshenbaum & Bond** from in-house for its $1 million account. . . . **Hardee's Food Systems**, Rocky Mount, N.C., to **Earle Palmer Brown Cos.**, Bethesda, Md., for creative on the conversion of Washington area Roy Rogers Restaurants to Hardee's units. Hardee's national agency Ogilvy & Mather, New York, will buy media. EPB was Roy Rogers' agency before Hardee's bought the chain.

OBITUARIES: James R. Elszner, 63, chairman of CPC International, Englewood Cliffs, N.J., died Sept. 11 in New York of complications from cancer. He had been CPC's ceo for nearly six years before resigning that post last month due to his illness. . . . **Robert L. Liddel**, 61, a senior VP-associate media director at TBWA, New York, died Sept. 10 in Riverside, Conn., of pancreatic cancer.

WORTH NOTING: Grey Advertising, New York, agreed to buy a minority stake in Davies Ireland-Smith, a $11 million London agency specializing in healthcare. The agency, to be renamed Davies Ireland-Smith Grey, will be the U.K. arm of a healthcare agency network Grey plans to build. . . . Deadline for entries in the Direct Marketing Creative Guild of New York's **John Caples International Awards** contest is Sept. 30. Phone: (203) 964-9090.